

*(J2)*

Office - Supreme Court, U. S.

FILED

MAR 27 1944

CHARLES ELMORE GROPLEY  
CLERK

IN THE

# Supreme Court of the United States

OCTOBER TERM, A. D. 1943.

No. 817

RAYMOND E. BEEGLE, DOING BUSINESS AS BEEGLE TIE  
SERVICE COMPANY,

*Petitioner,*

*vs.*

CHARLES M. THOMPSON, AS TRUSTEE FOR CHI-  
CAGO & NORTH WESTERN RAILWAY COMPANY,  
AND SHARON STEEL CORPORATION,

*Respondents.*

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES  
CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT  
AND BRIEF IN SUPPORT OF PETITION.

MAX W. ZABEL,

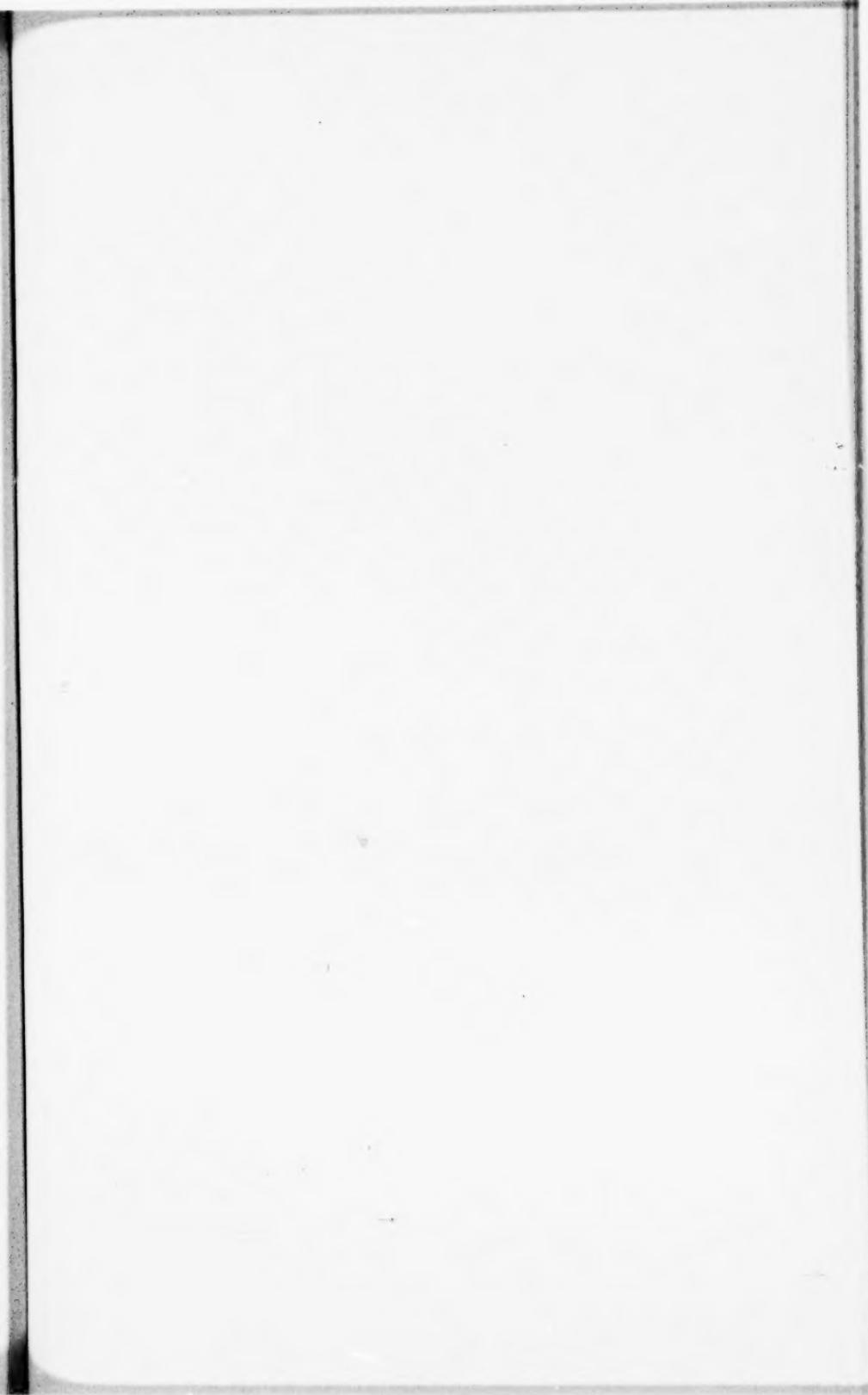
105 West Adams Street,  
Chicago, Illinois,

*Attorney for Petitioner.*

WILFRED S. STONE,

*Of Counsel.*







## SUBJECT INDEX.

	PAGE
Petition for Writ of Certiorari.....	1-30
I. Statement of Matter Involved.....	1
A. The Complaint and Answer.....	3
B. Pre-Trial Depositions.....	3
C. Amendments to the Complaint.....	11
D. Motion to Produce and First Pre-Trial Conference .....	12
E. Trial of Counts I and II.....	13
F. Respondent Sharon Steel's Motion for Summary Judgment on Counts III, IV and V.....	18
G. Disposition of the Case by the Trial Court	19
H. Disposition of the Case by the Circuit Court of Appeals.....	21
II. The Jurisdiction of This Court.....	21
III. The Questions Presented.....	22
IV. The Reasons Relied on for the Allowance of the Writ .....	25
Brief in Support of Petition for Writ of Certiorari..	31-62
Subject Index.....	i
Opinions of the Courts Below.....	31
Statement of Jurisdiction.....	21
Specification of Errors.....	22-30
Argument for Granting the Writ of Certiorari..	31-60
Reason 1 (Re: Question 1):	
In sanctioning the granting of the Motion for Summary Judgment without giving leave to amend, the Circuit Court of Appeals has decided an important Federal question in a way probably in conflict with applicable decisions of this court and in conflict with Rules of Civil Procedure 56(e) and 8(a) .....	31

**Reason 2 (Re: Questions 2 and 3) :**

In declining to determine the applicability of Title 5, Pennsylvania Laws, Section 3852-907 (1933 Corporation Act), of *Commonwealth v. Merchants National Bank*, 323 Pa. 124, and of *Nolan v. Doyle*, 338 Pa. 398, to the transfer of the Sharon Railway Supply Company assets to the respondent Sharon Steel, the Circuit Court of Appeals for the Seventh Circuit has ignored the rule of *Erie Railroad Co. v. Tompkins*, 304 U. S. 64, that local law governs the legal effect of the transactions in question..... 37

**Reason 3 (Re: Question 2) :**

In deciding that the respondent Sharon Steel is not bound by the Settlement Agreement, Ex. 1, as the surviving corporation of a *de facto* merger under Title 5, Pennsylvania Laws, Section 3852-907 (1933 Corporation Act), the Circuit Court of Appeals has decided an important question of Pennsylvania law in a way probably in conflict with this applicable Pennsylvania decision,—*Commonwealth v. Merchants National Bank of Allentown*, 323 Pa. 124, 185 Atl. 823 (1936), and with this decision of this court,—*Helvering v. Metropolitan Edison Co.*, 306 U. S. 522, aff'g. 98 F. 2d 807, C. C. A. 3rd. ....

**Reason 4 (Re: Question 3) :**

In deciding that the respondent Sharon Steel is not bound by the Settlement Agreement, Ex. 1, as the silent joint adventurer

with and financier of the Sharon Railway Supply Company, in getting the order for and profiting by the sale of the tie irons which became the subject of that agreement, the Circuit Court of Appeals has decided an important question of Pennsylvania law in a way probably in conflict with this applicable Pennsylvania decision,—*Nolan v. Doyle*, 338 Pa. 398, 13 Atl. 2d 59 (1940) . . . 43

**Reason 5 (Re: Questions 4 and 5):**

In deciding that patent claims may be narrowed despite an acknowledgment of validity of the claims, the Circuit Court of Appeals for the Seventh Circuit has rendered a decision in conflict with this decision of another Circuit Court of Appeals on the same matter, *Nachman Spring Filled Corp. v. Kay Mfg. Co.*, 139 F. 2d 781, 59 U. S. P. Q. 349, at 355, C. C. A. 2d (1943) . . . . . 46

**Reason 6 (Re: Question 7—Count II):**

In ruling that the criterion for determining the infringement of the patent under Count I is the correct criterion in determining what constitutes a breach of the Settlement Agreement under Count II, the Circuit Court of Appeals has decided an important question of local law probably in conflict with applicable local decisions. . . . . 50

**Reason 7 (Re: Question 6):**

By substituting its judgment as to the validity of a patent for the judgment of the Patent Office, the judgment of the only official non-partisan group of experts in the

field, the judgment of a substantial portion of the purchasing public, and the judgment of competitors, and in ignoring the fact that respondent sold the accused devices by urging the very advantages advanced by the patentee to the Patent Office as the means of being granted a patent, the Circuit Court of Appeals has decided a federal question relating to the presumption of validity that attaches to a United States patent in a way probably in conflict with applicable decisions of this court..... 54

## CASES CITED.

American v. O'Halloran, 229 Fed. 77, C. C. A. 2d (1914)	35
American Banana Co. v. United Fruit Co., 213 U. S. 347 .....	34
Anderson v. Webber and Rabsilber, 162 App. Div. N. Y. 725 (1914), appeal dismissed 220 N. Y. 763, 116 N. E. 1033 .....	45
Chicago Santa Fe and California Railway v. Mary Ash- ling, 160 Ill. 379 (1896).....	40
Clifton v. U. S., 4 Howard 242 (1846).....	25
Commonwealth v. Merchants National Bank of Allen- town, 323 Pa. 124, 185 Atl. 823 (1936).....	
.....	23, 27, 28, 37, 40, 41
Dean Rubber v. Julius Schind, 7 Fed. Rules Service 8a, 464, Case 1.....	36
Emich Motors v. General Motors, 7 Fed. Rules Serv- ice Case 2, 8a, 464.....	36
Erie Railroad Co. v. Tompkins, 304 U. S. 64.....	27, 37
Fashion Trade v. F. T. C., 312 U. S. 457 (1940).....	27, 33
Fleischer v. U. S., 311 U. S. 15 (1940), 107 Fed. 2d 924 C. C. A. 2d (1939).....	45
F. T. C. v. Waugh, 15 Fed. Trade Commissions Deci- sions 232 at 245.....	27, 33
Glen Coal Co. v. Dickinson Fuel, 72 Fed. 2d 883, C. C. A. 4th .....	35
Helvering v. Metropolitan Edison Co., 306 U. S. 522, aff'g. 98 F. 2d 807 C. C. A. 3rd.....	23, 28
International Ladies Garment Workers v. Donelley Garment Co., 121 Fed. 2d 561, C. C. A. 8th.....	26, 37
Keogh v. C. & N. W. Ry. Co., 260 U. S. 156.....	34
Kirby v. Talmadge, 160 U. S. 379 (1896).....	25

Leonard v. Socony Vacuum, 42 Fed. Sup. 369.....	35
Locke v. American Tobacco, 218 Fed. 447.....	35
Louisiana Farmers v. A. & P., 6 Fed. Rules Service 58	
C. C. A. 8th, 40 Fed. Sup. 897.....	26, 35, 37
Madden v. Appleton, 115 Fed. 2nd 589, 47 U. S. P. Q.	
293, C. C. A. 7th (1940).....	50
McJunkin v. Richfield, 3 Fed. Rules Service 63, D. C.	
Cal. (1940).....	36
Metropolitan Edison v. Helvering, 98 Fed. 2d 807	
(1938) .....	40
Nachman Spring Filled Corp. v. Kay Mfg. Co., 139 Fed.	
2d 781, 59 U. S. P. Q. 349, C. C. A. 2nd (1943).....	
.....	29, 46, 47, 49
Nolan v. Doyle, 338 Pa. 398, 13 Atl. 2d 59 (1940)....	
.....	24, 27, 29, 37, 44, 45
Sanitary Refrigerator v. Winters and Crampton, 280	
U. S. 30, 3 U. S. P. Q. 40 at 44.....	50
Securities and Exchange Commission v. Time Trust	
Inc. 1 Fed. Rules Service 83, D. C. Cal.....	36
Sola Electric Co. v. Jefferson Electric Co., 317 U. S.	
173, 55 U. S. P. Q. 379.....	46
Toebelman v. Missouri-Kansas Pipeline Co., 133 Fed.	
2d 1016, C. C. A. 3d (1942).....	33
United States v. Johns-Manville Corp., 4 Fed. Rules	
Service 73, D. C. Ill. (1941).....	36
Whitaker v. Coleman, 115 Fed. 2d 305, C. C. A. 5th	
(1940) .....	33
Wooster v. Trowbridge, 120 Fed. 667, C. C. A. 2nd	
(1903) .....	53

**RULES AND STATUTES CITED.**

Pennsylvania Laws, Title 15, Sec. 3852-907 (1933 Corporation Act) .....	23, 27, 28, 37
Rule of Civil Procedure 8(a).....	26, 31, 34
Rule of Civil Procedure 15(a).....	26
Rule of Civil Procedure 56(e).....	26, 31, 33

**TEXTBOOKS.**

33 C. J. 871 Sec. 99.....	45
Restatement of the Law on Contracts, Vol. 1, Sec. 230..	53
Williston on Contracts, Revised Ed., Vol. 3, Sec. 607...	52



IN THE

# Supreme Court of the United States

OCTOBER TERM, A. D. 1943.

No. .....

RAYMOND E. BEEGLE, DOING BUSINESS AS BEEGLE TIE  
SERVICE COMPANY,

*Petitioner.*

*vs.*

CHARLES M. THOMPSON, AS TRUSTEE FOR CHI-  
CAGO & NORTH WESTERN RAILWAY COMPANY,  
AND SHARON STEEL CORPORATION,

*Respondents.*

## PETITION FOR WRIT OF CERTIORARI.

*To the Honorable, the Chief Justice and Associate Justices  
of the Supreme Court of the United States:*

Your petitioner, Raymond E. Beagle, respectfully prays  
the grant of the Writ of Certiorari to the Circuit Court of  
Appeals for the Seventh Circuit to review a judgment of  
that Court.

### I.

#### Statement of Matter Involved.

This suit started as a patent infringement controversy  
against both respondents,<sup>1</sup> but later developed into a suit  
against respondent Sharon Steel alone for breach of con-

<sup>1</sup> The respondent Thomson has died since suit was instituted.

tract, unfair competition, and damages suffered by the petitioner for the respondent Sharon Steel's alleged practice of getting petitioner's railroad customers by using its steel tonnage shipments as a sales lever. More specifically, the case against respondent Sharon Steel involves patent infringement and breach of a contract which in part indicates what constitutes an infringement of the patent and which contains an acknowledgment of validity of the patent. The case further involves the right of the petitioner to a trial of causes of action based on Sections 15 and 2 of 15 United States Code, the anti-trust laws, and for unfair competition. The Circuit Court of Appeals narrowed the patent claims in suit without considering the effect of the contract upon the court's right to so narrow the claims. The Circuit Court of Appeals further said that the test of infringement of the patent constitutes the test of breach of the contract. Patent infringement and breach of contract were tried on the merits and decided by both the trial court and the Circuit Court of Appeals for the respondents. The Circuit Court of Appeals also affirmed the granting of a Motion for Summary Judgment as to the unfair competition and as to the anti-trust law charges on the ground that the Complaint did not definitely set forth petitioner's damages, although the trial court had granted the Motion for Summary Judgment on the ground that "the plaintiff has no possibility of establishing the case he pleads \* \* \*". The Circuit Court of Appeals did not authorize petitioner to amend.

**A. The Complaint and Answer.**

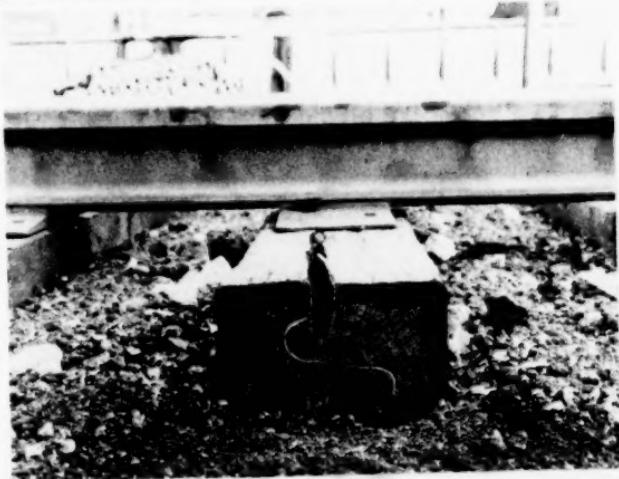
Petitioner, as plaintiff, in his Amended Complaint (R. 24), charges the respondent Sharon Steel as manufacturer, and the respondent Thomason, trustee, etc., as users, with infringement of claims 1, 2, 3, 4, and 7 of patent No. 1,737,908. The respondents denied these allegations (R. 5-14). In his first Amendment to the Amended Complaint, petitioner added Counts II and III. Count II sets up a Settlement Agreement executed by the petitioner and a company called the Sharon Railway Supply Company (R. 560). In this agreement the parties "mutually agreed" that "a certain order of five hundred thousand (500,000) Anti-Split Devices for Cross Ties \* \* \* were infringements of said Letters Patent;" (R. 560) and the Sharon Railway Supply Company "acknowledges the validity of said Letters Patent No. 1,737,908 and agrees hereafter to observe and respect the same and to cease from and refrain from further infringement thereof;" (R. 561). Count II further charges that "This contract \* \* \* is binding upon the defendant, Sharon Steel Corporation, which purchased all of the rights and liabilities of the Sharon Railway Supply Company \* \* \*" (R. 15). Count III charges respondent Sharon Steel with certain acts of unfair competition. The respondent Sharon Steel denied these allegations (R. 19-22).

**B. Pre-Trial Depositions.**

The petitioner took several depositions in advance of trial. These depositions established the following facts which are not controverted unless otherwise indicated.

The Sharon Railway Supply Company manufactured tie irons (R. 83). A tie iron is a strip of 13 gauge steel having a bevelled edge called the entering edge and a

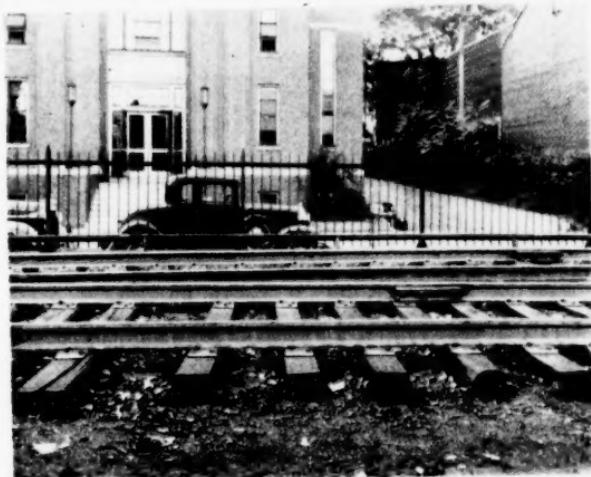
blunt edge called the driving edge and prior to petitioner's invention was bent to either a "C" or an "S" configuration. A tie iron is driven into the end of a tie prior to seasoning in order to prevent splitting, thus:



The respondent Sharon Steel supplied the steel for these tie irons. The Sharon Railway Supply Company was in arrears on its steel account with the respondent Sharon Steel (R. 837-845). This arrearage amounted to 64% of the total assets of the Sharon Railway Supply Company in 1935 (Ex. 6, R. 575). The Sharon Railway Supply Company audit for 1933 said, "as mentioned on several previous quarterly statements, there is no working capital, the company being financed by one large creditor" (Ex. 18, R. 620). Half of the stock of the Sharon Railway Supply Company was owned by Mrs. Bertha Lloyd (Shaughnessy), president, and the other half was owned by Joseph Jones, manager of the company (R. 116). The company had two workmen, Howard William Wellman and George Edwin Wellman (R. 83 and 99).

In 1934 and thereafter, the Pennsylvania Railroad was purchasing most of its tie iron requirements from the peti-

tioner (R. 338). The petitioner was supplying his patented shape of iron thus:



The respondent Sharon Steel had a sales office in the Broadstreet Station Building in Philadelphia, Pennsylvania (R. 418). In this same building was the purchasing department of the Pennsylvania Railroad. The respondent Sharon Steel's sales office was managed by a man named Baker (R. 417) and had a salesman named Buterbaugh (R. 418). The purchasing department of the Pennsylvania Railroad was under the general management of Lamneck (R. 232) and steel purchases were handled by Owen (R. 232). On February 2, 1935, the Sharon Railway Supply Company wrote Lamneck a letter, the first sentence of which is, "We assume that you know we can make 'Beegle' irons; yes sir', just the same in every respect, except cheaper than any other manufacturer" (Ex. 28, R. 635). Owen wrote above the word "Beegle", "#3 Saftie".<sup>1</sup>

On February 25th, 1935, the Pennsylvania Railroad ordered 500,000 "Saf-Tie" irons from the Sharon Railway

---

<sup>1</sup> Saf-Tie is petitioner's trademark (R. 356).

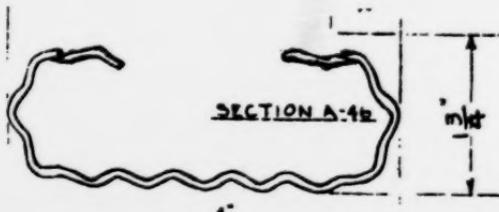
Supply Company (Exs. 34 and 35, R. 647, 649) and Ex. 27-2, R. 633). On February 26th, Owen placed a footnote star adjacent the word "Saf-Tie" (Ex. 28, R. 635), and at the bottom of the letter wrote, "Sharon Steel Hoop Co reply to telegram their Phila office 2-26". SHARON STEEL HOOP CO. was the name of the respondent Sharon Steel prior to 1937. The Sharon Railway Supply Company had no Philadelphia office. On or before March 15th, 1935, 500,000 of the following irons were delivered by the Sharon Railway Supply Company to the Pennsylvania Railroad (Ex. 3, R. 563 and R. 631).



On April 12, 1935, Harris, general storekeeper of the Pennsylvania Railroad, wrote Lamneck concerning these 500,000 tie irons (Ex. 27-2, R. 633). This letter said, "These irons were not shaped like the No. 3 Saftie irons. Any additional irons offered in lieu of No. 3 Saftie irons should be rejected if they are not of the proper design. Print of Saftie iron is attached hereto. Sample of 'Sharon' iron was given to Mr. Owen. In this connection, we forwarded you requisition 1-B-5035-FJ covering 5 items of Saftie irons, all of which are to be furnished as per print attached." Mr. Owen got this letter and struck out his own name and substituted "& Mr. Buterbaugh—Sharon Steel Hoop 1481", plus shorthand notes (R. 256-257). "1481" is the room address of the respondent Sharon Steel's office in Philadelphia (Ex. 27-1, R. 631).

On April 17, 1935, Lamneek wrote Sharon Railway Supply Company that the 500,000 irons "were not 'Saftie' irons but what you call a 'Sharon' iron. \* \* \* Print of Saftie irons is attached and sample of Sharon iron was given to Mr. Buterbaugh of the Sharon Steel Hoop Co." (R. 631). A copy of this letter was sent to the Philadelphia office of the respondent Sharon Steel (R. 258).

On April 21, 1935, the petitioner orally charged Jones of the Sharon Railway Supply Company in Sharon, Pennsylvania, with infringement of the patent in suit (R. 324). On April 26th Sharon Railway Supply Company submitted to the Pennsylvania Railroad for approval (Exs. M, N, O-1 and O-2, R. 813-814), this crinkled "C" iron (R. 767) :



Respondent Sharon Steel crinkled the steel for these irons (R. 152). On April 27, 1935, petitioner in writing charged both the Sharon Railway Supply Company and the Pennsylvania Railroad with infringement of the patent in suit (R. 609). At this time petitioner knew nothing of the Respondent Sharon Steel's participation in getting the orders for the 500,000 irons in question (R. 323).

On May 1, 1935, Lamneek wrote the Sharon Railway Supply Company a letter (R. 608) containing this paragraph:

"We are in receipt of a copy of letter \* \* \* advising your company that you are infringing \* \* \*. Doubtless you are aware that we placed orders with your company for some of these particular type of anchors.

\* \* \* The question of patent in connection with this order was raised and we were informed that no patent litigation would obtain and under the circumstances we are looking to your company to hold us harmless in the fulfilling of these orders. Please advise if you are continuing to manufacture these particular irons for future consideration on our part."

The Supply Company did not fill the second order mentioned in Ex. 27-2 (R. 633) as 1-B-5035-FJ (R. 236), although the Saftie print and unsatisfactory iron were delivered to Buterbaugh of Sharon Steel (R. 258) to enable the Supply Company to fill this order properly (Exs. 27-1, 27-2, R. 631 and 633). Lamneck testified that all negotiations relating to the sale were conducted orally (R. 233), and Owen testified that he did not meet Jones of the Sharon Railway Supply Company until late in 1936 (R. 269).

On June 19, 1935, the Supply Company authorized its attorneys to settle petitioner's charge (Ex. 16, R. 600). On June 20, 1935, the Sharon Railway Supply Company sent bags of crinkled "C" irons to the Pennsylvania Railroad and said that "Sharon Steel Hoop Co. officials would come over to Orville to experiment with them" (R. 813). The Sharon Railway Supply Company signed the Settlement Agreement on July 6, 1935 (Ex. 1, R. 560), Jones and Mrs. (Lloyd) Shaughnessy signing for the Sharon Railway Supply Company, and paid \$250.00 damages for the infringement.

On July 30, 1935, the respondent Sharon Steel, took the New York Central tie iron account away from the Sharon Railway Supply Company (Ex. 13, R. 587). In explaining why the respondent Sharon Steel could do this, Jones said at R. 122, "The real reason was because the Sharon Steel Corporation was in shape to get the tonnage. Mr. Beegle knows that." Tonnage refers to the large dollar volume of shipments which the respondent Sharon Steel has to route over a railroad. Mr. Jones testified that the respond-

ent Sharon Steel got business from railroads by using tonnage as a lever to get business. Jones was shown a tonnage list prepared by his company (Exs. 21 and 22, R. 626), and he explained that these lists were given to McBride, traffic manager for the respondent Sharon Steel, in order that McBride "could go to those railroads and say to them, 'We have shipped so much tonnage over your road; if you have any 'S' irons, give them to us'" (R. 150).

In September or October, 1936, Jones, manager of the Supply Company, and Galbreath and Evans, officers of the respondent Sharon Steel, entered into a verbal agreement to convey all of the assets of the Sharon Railway Supply Company to the respondent Sharon Steel on the understanding that Jones was to get \$1,000 for his 50 per cent stock interest in the Supply Company and Mrs. (Lloyd) Shaughnessy \$1,000 for her 50 per cent interest (R. 135 and 153). Mrs. (Lloyd) Shaughnessy could not find her stock certificate (R. 63). This verbal agreement was consummated by a Bill of Sale, dated November 16, 1936, whereby the respondent Sharon Steel paid \$10,077.45 for all of the assets except cash of the Sharon Railway Supply Company (Ex. B, R. 757). On November 24, 1936, the respondent Sharon Steel got a check back from the Supply Company for \$8,374.59 (Ex. 17, R. 617), to apply on its past due account. Jones and Mrs. (Lloyd) Shaughnessy each got \$1,000 (Ex. 12, R. 617 and Ex. 9, R. 580). The three Sharon Railway Supply Company employees, including Jones who signed the Settlement Agreement, were immediately employed by the respondent Sharon Steel (R. 93, 94, 101 and 102). All three were still so employed in the tie iron department of respondent Sharon Steel when the depositions were taken in August, 1941 (R. 83, 99, 112).

The Sharon Railway Supply Company's business was carried on as a going concern during and after the transfer

of assets (Thomas R. 442 and G. E. Wellman R. 102). For perhaps six weeks after November 16, 1936, the respondent Sharon Steel occupied the premises of the Supply Company and manufactured tie irons there (R. 97). The corporate liquidation of the Sharon Railway Supply Company was handled by respondent Sharon Steel's attorneys (R. 137), who received \$250.00 liquidation expenses from the Sharon Railway Supply Company (R. 80), part of which they disbursed as late as February 2, 1937 in a payment to the auditor for liquidation services (Ex. G, R. 769 and R. 80). The officer Jones of the Sharon Railway Supply Company signed a statement required by the laws of Pennsylvania that "All debts, obligations and liabilities of the corporation have been paid and discharged, or adequate provision has been made therefor" (R. 803), at the instruction of counsel for the respondent Sharon Steel (R. 129). Subsequent to November 16, 1936, the respondent Sharon Steel charged off additional indebtedness of the Sharon Railway Supply Company including liquidation tax payments made to the Commonwealth of Pennsylvania (Ex. W-5, R. 845). Jones testified that he did not tell the respondent Sharon Steel about the Settlement Agreement (R. 129).

All the official documents belonging to the Sharon Railway Supply Company, its correspondence, invoices, etc., were contained in a wooden filing cabinet (R. 131). The correspondence between the Sharon Railway Supply Company and petitioner was in a single folder which contained a copy of the Settlement Agreement (Ex. 16 and 16a, R. 587-615). Respondent Sharon Steel contends that these files belong to Jones, but the latter said at R. 131, "I took the records to the Sharon Steel Corporation office for safe-keeping. I had no place for them at home and wasn't going to be responsible for them." On cross-examination, however, he said the files were his (R. 146). These files were transferred to Sharon Steel's standard filing cases

at the Sharon Steel plant (R. 437) and placed in its locked vaults (R. 481). These files have been in the physical possession of either the defendant Sharon Steel or its attorneys since 1936.

#### C. Amendments to the Complaint.

After the depositions were completed, the petitioner filed his Second and Third Amendments to the Complaint (R. 157 and 224). By paragraph 10a (R. 224), Count II, the respondent Sharon Steel was charged to be "the real party in interest which compelled its debtor, Sharon Railway Supply Company, to take the order for the irons in 1935; or the Sharon Steel Corporation \* \* \* procured or participated in procuring the order for the infringing irons." Paragraph 14f, Count III (R. 157), charged that "the defendant, Sharon Steel Corporation, is unfairly competing with the plaintiff in that it is using the amount of tonnage which it ships over the railroads as a means of selling anti-splitting irons and has been so far successful that in a period of a few years it has climbed from nothing to a dominant position in the industry." Count IV (R. 157) says that the defendant Sharon Steel Corporation "has compelled the Pennsylvania Railroad to purchase irons exclusively from the defendant Sharon Steel Corporation, without open bidding on each order" and "the plaintiff Beegle has been completely shut out from enjoying the business of the Pennsylvania Railroad," and makes a charge not raised in this Petition. Count V alleges two causes of action. The first cause of action set forth in paragraphs 17 and 18 (R. 157-158) is not involved in this Petition. The second cause of action in Count V is found in paragraphs 17 as amended, 19, (R. 225) and 20, found in a Bill of Particulars at R. 956, wherein it is charged that the respondent " \* \* \* Sharon Steel is attempting to monopolize and has gone a great way toward actually monopolizing the anti-splitting

iron business of the United States in violation of Section 2 of the Sherman Anti-Trust law 15 U. S. C. Sec. 2," to petitioner's damage under 15 U. S. C. Sec. 15 (R. 225). Paragraph 20 (R. 956): "In the year 1941, the tie iron output of the Sharon Steel Corporation is believed to have constituted between sixty-five and seventy per cent of the total output of the industry," whereas "In the year 1936, the combined tie iron output of the Sharon Railway Supply and Sharon Steel Corporation constituted approximately twelve per cent of the total United States output of tie irons. \*\*\* This increase is attributed primarily to the discreet use of tonnage by the defendant Sharon Steel as a means of getting railroad business. In particular, it is believed that the traffic manager of Sharon Steel Corporation, whose name is McBride, has written letters to various railroads in Chicago calling attention to the routing of pipe and coupling equipment made by Pittsburgh Steel Company, a subsidiary of Sharon Steel Corporation, to the oil fields. Shortly following these letters, Mr. Thomas of the Sharon Steel Corporation sales department has called on the railroads receiving the letters."

The respondent Sharon Steel denied all of these allegations (R. 226 and 957).

#### **D. Motion to Produce and First Pre-Trial Conference.**

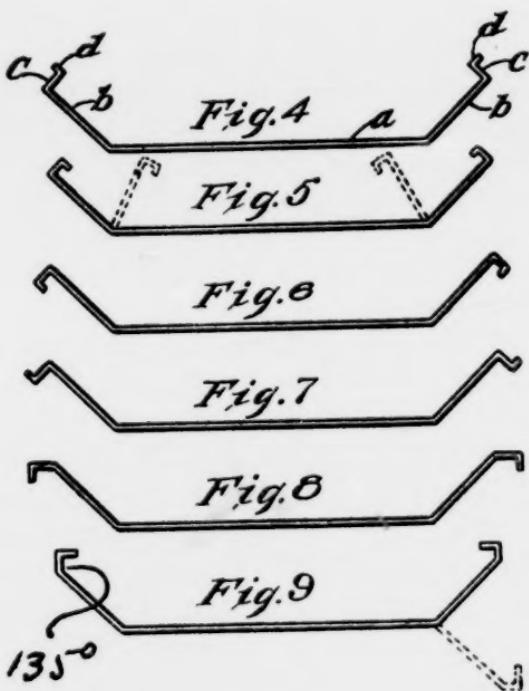
On November 24, 1941, petitioner moved that the respondent Sharon Steel be ordered to produce all of the written material delivered by the Sharon Railway Supply Company to the respondent Sharon Steel at the time of the transfer of the assets, (Paragraph 8, R. 184) and certain correspondence files between respondent Sharon Steel and the Pennsylvania Railroad and two Chicago railroads including the respondent Thomson. The motion was denied (R. 225-226).

On December 5, 1941, three days before trial, the trial judge at a pre-trial conference requested that the case be tried in two parts, Part 1 to consist of Counts I and II and Part 2, of Counts III, IV and V (R. 225-226).

#### **E. Trial of Counts I and II.**

Part 1 was tried December 8 to 11, 1941, and twice during trial the respondent Sharon Steel objected to questions on the ground that they related to Part 2 and was sustained (R. 357, 358 and 467). At the opening of the trial, the petitioner withdrew claim 7 which calls for an iron that can be interlocked with a similar iron (Finding of Fact 2a, R. 988). Claims 1 to 4 do not mention interlocking (R. 1051). The depositions were introduced into evidence *in toto*.

With respect to Count I, the evidence showed that petitioner was a day laborer driving "S" tie irons in East St. Louis commencing in 1923 (R. 287) and after three years he developed the iron in suit (Ex. 39, R. 669 and Ex. 38, R. 659). He himself prosecuted his patent application (Ex. AA, R. 855-933) and obtained a patent (R. 1046) which shows these open polygon irons:



His iron was approved by the American Railway Engineering Association's tie iron committee in 1930 (Ex. 89, R. 727) and it was the first iron to receive acceptance since the railroads commenced using "S" and "C" irons about 1900 to 1905 (R. 326). His iron has had substantial commercial success (Ex. 76, R. 711 and Ex. 93, R. 745). Its main body portion spans the spike lines as "S" and "C" irons do not, does not cut plugs, and its diverging arms with end terminals make it possible to reshape the iron very quickly when it is being driven (R. 304-305). National Forge of Louisville, Highland Steel of Terre Haute, and LaClede Steel-Western Wire of St. Louis asked for licenses under the patent in suit and licenses were refused (R. 319-320). Only two competitors, Sharon Railway Supply Company and American Steel and Wire Company, have not asked for a license. The petitioner adapted the

length of the diverging arms of his iron to accommodate the particular type of tie which a railroad used. Thus, the Northwestern Railroad uses pole ties, which are slabbed only on top and bottom, so that in width the ties may reach fourteen inches (R. 360). The respondent Sharon Steel has always offered each railroad which was petitioner's customer, an accused device having exactly the same dimensions as the petitioner's device (Physical Ex. 83 and R. 361).

In its advertising the respondent Sharon Steel claimed for the accused device the very advantages which the petitioner urged to the Patent Office in order to get his patent and which the petitioner claims for his commercial device (R. 749).

The petitioner adopted "Saf-Tie" as a trademark for tie irons about 1930 and has used it since (R. 356).

The respondent relied solely on patents to invalidate or narrow the claims. Of these patents, a first group comprising Body, 988,620 (R. 1094); Williams, 1,201,008 (R. 1100); Williams, 1,208,255 (R. 1104); and Lloyd, 1,469,843 (R. 1116), relate to tie irons. A second group, comprising Sayre, 180,070 (R. 1054); and Fiebig, 1,436,584 (R. 1110), relate to dowels to be placed in prepared holes for holding together separate pieces of wood. A third group, comprising Walker, 300,536 (R. 1058); Starr, 396,900 (R. 1062); Berry, 412,696 (R. 1070); Starr, 419,375 (R. 1074); Rasner, 515,168 (R. 1078); Starr, 547,093 (R. 1082); Wyland, 553,886 (R. 1086); and Stambach, 725,375 (R. 1090), relate to small corrugated nails used to join together light pieces of wood such as the mitred joints of screens. A fourth group, comprising Starr, 366,269 (R. 1062); Zimmerman Br. 12,013 (R. 1121); and Methua Fr. 57,213 (R. 1131), relate to small nails to be driven into seasoned wood to prevent splitting. The United States Patent Office had allowed the Beagle patent over Williams, 1,208,

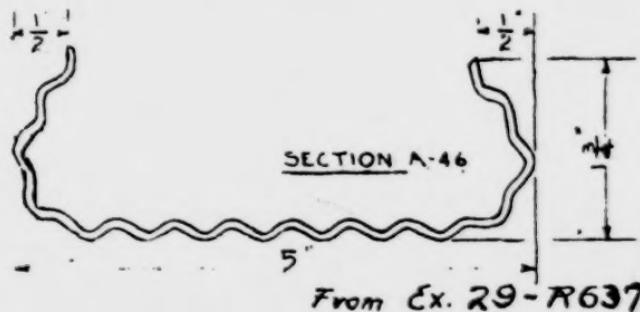
255 of group 1; over Walker, Starr, 547,093, Rasner, Stambach and Wyland of the third group; and over Zimmerman and Methua of the fourth group. The Patent Office did not rely upon dowels, the second group.

The following undisputed facts relating to Count II were developed at the trial: Mason Evans, assistant treasurer of the respondent Sharon Steel, was shown Ex. 6, entitled "Audit Report, September 30, 1935, Sharon Railway Supply Company, Sharon Pennsylvania," and he said that he did not remember having seen it although "I may have had this." (R. 453.) His attention was called to the statement in the audit, "the sum of two hundred and fifty dollars for infringement costs is included in the loss for the third quarter." (R. 454.) He denied knowledge of the Settlement Agreement in either 1935 or 1936 (R. 461). Other Sharon Steel employees, namely, Galbreath, vice president in charge of sales, Thomas, special representative in charge of tie irons, Hughes and Jackson, denied any knowledge in 1935 or 1936 of either respondent Sharon Steel's participation in the sale of the five hundred thousand tie irons accused in 1935 or of the Settlement Agreement. Baker, who was located in Philadelphia, could not be subpoenaed, and the respondent Sharon Steel did not produce him. Buterbaugh was subpoenaed (R. 281) by the petitioner and was asked whether or not he recalled "any transactions relating to the Sharon Railway Supply Company that may have taken place in the early months of the year 1935?" and his reply was, "No sir" (R. 418). He did not deny receiving the "print of 'Safe-Tie' one" and "sample of Sharon iron" mentioned in Ex. 27-1 (R. 418-419).

John Foley, chairman of the tie committee of the American Railway Engineering Association, stated that petitioner's infringement charge against the Pennsylvania Railroad and the Sharon Railway Supply Company and

the settlement of the charge by the Sharon Railway Supply Company were discussed in a committee meeting (R. 349). He stated that the patent in suit is the only well known patent on tie irons in the tie iron field (R. 350).

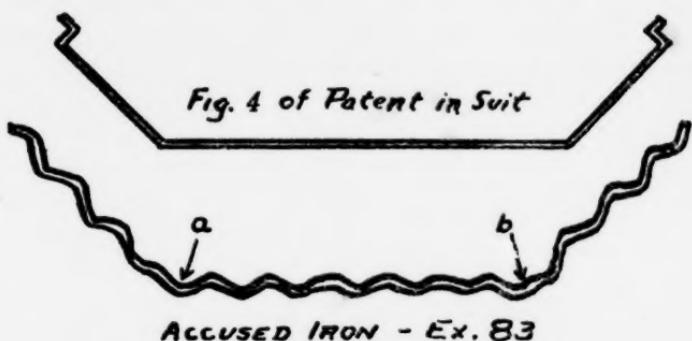
In the spring of 1937, the respondent Sharon Steel sold to the Pennsylvania Railroad (R. 339), 500,000 of this modified "C" iron (Ex. 29, R. 637).



In the spring of 1938 the Pennsylvania Railroad declined to purchase any more of these open "C" irons (R. 345) and Foley, Pennsylvania Railroad forester, informed the respondent Sharon Steel, "that the shape of iron that met the A. R. E. A. requirements would be accepted" (R. 345). The A. R. E. A. requirements were published in a bulletin in December, 1930 (R. 725) and show working drawings of "S", "C" and petitioner's "Saf-Tie" iron (R. 727, Ex. 89). The report reads in part, "The result of this test indicates that all three shapes of iron, viz., the 'C', 'S' and 'Saf-Tie', when properly applied, will meet the requirements."

On May 25th, 1938, Thomas, respondent Sharon Steel's special representative on tie irons, went to the petitioner's plant in East St. Louis. The petitioner testified that Thomas asked for a license under the patent (R. 320-322). The petitioner's son-in-law similarly testified (R. 399). Thomas denied that he asked for a license. The respondent

Sharon Steel then offered the accused devices to the Pennsylvania Railroad;



On or about July 26, 1938, the purchasing department of the Pennsylvania Railroad changed a Stores Department requisition for three sizes of "Saf-Tie" irons addressed to the Beagle Tie Service Company to Sharon Steel (R. 639). The petitioner has never received any business from the Pennsylvania Railroad since (R. 246). During 1938 and 1939, all Pennsylvania Railroad orders specified petitioner's "Saf-Tie" iron and the respondent Sharon Steel filled such orders by shipping accused devices (R. 246).

The court took the case under advisement, with briefs to be submitted.

#### **F. Respondent Sharon Steel's Motion for Summary Judgment on Counts III, IV and V.**

The trial court held a second pre-trial conference on December 29, 1941, for Part 2 (R. 283), and at that pre-trial conference the respondent Sharon Steel presented a Motion for Summary Judgment on Part 2 unsupported by affidavits (R. 951). The trial court took the Motion under advisement, with briefs to be submitted.

The Motion for Summary Judgment advances seventeen grounds for granting the Motion of which six grounds, A, B, C, G, P and Q, (R. 591-954) relate to paragraphs 17,

19 and 20 of Count V. Grounds A and B state that Counts III, IV and V do not allege "interstate commerce" and even if alleged, all transactions are intrastate. Grounds C and G state that the federal courts have no jurisdiction over a monopoly of unpatentable articles (R. 951-952). Ground P states that Count V is defective because it does not allege special damage (R. 954). Ground Q (R. 954) says that "the record now before the court shows that \* \* \* it is obvious that plaintiff cannot produce any evidence to support any one of the claims contained in said counts."

At this second conference the trial court asked the petitioner to submit a proposed stipulation of facts as to Count V to the respondents and the petitioner on March 7, 1942, submitted to the respondent such a stipulation, a copy of which was filed with the trial judge on the same day (R. 995-996). The respondent denied the facts set forth in the proffered Stipulation in a letter to the petitioner with a copy to the trial judge on March 10, 1943 (R. 1013).

On April 3, 1942, petitioner moved to set Part 2 for trial and the trial judge continued the case generally (R. 983).

#### G. Disposition of the Case by the Trial Court.

On January 28, 1943, fourteen months after the trial of Part 1 and thirteen months after the filing of the Motion for Summary Judgment on Counts III, IV and V, the trial court disposed of the entire case in favor of the respondents as follows (R. 984-987):

Count I: The patent was held not infringed because "its principal feature" is "inwardly directed terminals constructed to readily interlock with like terminals on similar

irons. \* \* \* This teaching is not followed in the defendants accused irons (R. 985)."

Count II: "Although it is highly probable \* \* \* that the defendant Sharon Steel assisted Sharon Railway Supply Company, Inc., in getting the much discussed order of 1935 \* \* \* it does not follow \* \* \* that the defendant Sharon Steel Corporation had knowledge of the alleged infringement subsequently admitted by Sharon Railway Supply Company, Inc., or of the agreement wherein it admitted the same. \* \* \* This does not reasonably justify plaintiff's implication of a well concocted plan by the defendant Sharon Steel Company to use Sharon Railway Supply Company, Inc., as its agent or tool, to infringe the plaintiff's patent" (R. 986).

Counts III, IV and V: The Motion for Summary Judgment was granted on Ground Q, the trial judge saying, "The plaintiff has no possibility of establishing the case he pleads in counts 3, 4 and 5" (R. 986).

Findings of Fact and Conclusions of Law were requested of the respondent Sharon Steel (R. 986).

On March 10, 1943, the trial judge signed Findings of Fact and Conclusions of Law, (R. 987-994) and entered judgment for the respondent (R. 994). Findings of Fact 4, 6 through 11, parts of 12 and 13 and 14, relating to Counts I and II (R. 990-991), find no basis in the trial judge's Memorandum Opinion and were approved in the verbatim form submitted by the defendant. Findings of Fact 17 through 27 relate to Counts III, IV and V, and are based on evidence adduced in the depositions and at the trial with respect to Counts I and II,—no trial on Counts III, IV and V ever having been had.

#### H. Disposition of the Case by the Circuit Court of Appeals.

The Circuit Court of Appeals affirmed the trial judge (R. 1161-1169) and held:

Count I: By using the words, "timber anchor" instead of "tie iron" in his claims, the patentee sought exclusive rights not only on tie irons, but also on all other types of wood fasteners; and consequently all wood fastening devices including dowels were pertinent prior art. From this prior art, the claims must be narrowed to cover only a tie iron of open polygon shape having a single terminal lug at right angles to the arm or an L-hook. The angle of the end lug of the accused device is not a right angle and hence no infringement.

Count II: Assuming that Sharon Steel is bound by the Settlement Agreement, the test of its breach is the same as the test of infringement applied in Count I and hence no breach.

Count III: Paragraph 14f is too indefinite to state a cause of action.

Count V: Paragraphs 17, 19 and 20 of the Complaint. The decision mentions this cause of action in only three lines and seems to treat it as additive to the other cause of action in Count V set forth in paragraph 18 of the Complaint. Paragraphs 17, 19 and 20 do not state a cause of action because they are indefinite in that they do not state how the plaintiff has been damaged.

## II.

#### The Jurisdiction of This Court.

The jurisdiction of this court is based upon Section 240 (a) of the Judicial Code, Title 28 U. S. C. Section 347 (a). The judgment of the Circuit Court of Appeals was entered

on November 6, 1943. A timely Petition for Rehearing was filed November 19, 1943. This Petition was denied on December 28, 1943.

### III.

#### **The Questions Presented.**

Several questions are presented.

With respect to the Motion for Summary Judgment on Count V, paragraphs 17, 19 and 20 of the Complaint, the Circuit Court of Appeals has decided that it is proper to grant a Motion for Summary Judgment on the ground that the pleadings setting up a cause of action under the anti-trust laws are indefinite. It has done this without giving leave to amend. It has held that pleadings which specifically incorporate the damage allegations of 15 U. S. C. 15 and then state that respondent has acquired sixty-five to seventy per cent of all the tie iron business by using shipping tonnage as a sales lever, are not sufficiently definite to warrant a trial. Finally, it has sanctioned the granting of such a motion after the petitioner was denied the right to introduce evidence relative to the subject matter at the trial of part 1. The petitioner therefore submits as its first question:

*Question 1:* Are paragraphs 17, 19 and 20 of the Complaint so indefinite that they do not state a cause of action, and if they are, should respondent be able to take advantage of this indefiniteness by a motion for Summary judgment.

With respect to Count I, the Circuit Court of Appeals has narrowed the claims of the patent in suit by reading, for example into the words "angulate member" of Claim 3 the words "L-shaped or hook member." In so doing, the court did not discuss whether it had a right to so narrow the claims in view of the facts that the parties to the Settlement Agreement agreed that tie irons that do not have

"L-shaped or hook members" are nevertheless infringements of the patent and that the Settlement Agreement contains an acknowledgment of validity. Moreover, the court so acted in reliance upon patents which were considered by the Patent Office or were no better as prior art than the patents considered by the Patent Office. It is evident that whether or not the Circuit Court of Appeals has this right to so narrow claims is dependent firstly, upon whether or not the respondent Sharon Steel is bound by the Settlement Agreement, and secondly, whether or not such narrowing is permissible in view of the Settlement Agreement. Petitioner therefore, submits these five questions with respect to Count I:

*Question 2:* Is the respondent Sharon Steel a surviving corporation of what under the laws of Pennsylvania was a *de facto* merger under Title 15, Penn. Laws, Sec. 3852-907, (1933 Corporation Act) as interpreted in *Commonwealth v. Merchants National Bank of Allentown*, 323 Pa. 124, 185 Atl. 823 (1936), and in *Helvering v. Metropolitan Edison Co.*, 306 U. S. 522, aff'g 98 F. 2d 807, C. C. A. 3rd, so that the respondent Sharon Steel is bound by the parties agreement as to what constitutes an infringement and by the acknowledgment of validity contained in the Settlement Agreement even though respondent Sharon Steel has denied actual knowledge of the Settlement Agreement when it acquired the Sharon Railway Supply Company assets.

*Question 3:* Do the respondent Sharon Steel's acts (1) of getting the 1935 order for the then accused irons from the Pennsylvania Railroad; (2) in submitting jointly with the Sharon Railway Supply Company a crinkled "C" iron to get the Pennsylvania Railroad account in 1935; (3) in financing the insolvent Sharon Railway Supply Company in 1935; (4) of assisting the Sharon Railway Supply Company in getting business by using shipping tonnage

as a selling lever; and (5) in profiting by each sale of tie irons made by the Sharon Railway Supply Company, constitute the respondent Sharon Steel a joint adventurer with the Supply Company under *Nolan v. Doyle*, 338 Pa. 398, 13 Atl. 2d 59 (1940), so that the respondent Sharon Steel is bound by the Settlement Agreement, even though it did not know thereof or participate therein?

*Question 4:* May the acknowledgment of validity contained in the Settlement Agreement be emasculated by reading into the claims limitations not contained therein?

*Question 5:* May the claims in suit be limited in scope to a particular structure of end terminal, namely, to tie irons having "L-shaped or Hook members" at their ends, when the parties to the Settlement Agreement agreed that tie irons which did not have "L-shaped or hook-members" were infringements of the patent?

*Question 6:* Should a court ignore the presumption of validity attaching to a patent duly issued by the United States Patent Office when the presumption of validity is fortified by

- a. Acceptance of the patented devices as meritorious by the only official group of experts in the industry for a period of 12 years;
- b. Substantial commercial success.
- c. Requests for licenses by all but two competitors in the trade and respect for the patent nine years of its life; and
- d. Respondent Sharon Steel's using the very advantages advanced by the patentee to the Patent Office as justification for being granted a patent in respondent's printed advertising in order to sell the accused devices?

In disposing of Count II the Circuit Court of Appeals assumed that respondent Sharon Steel was bound by the Settlement Agreement and concluded, "inasmuch as de-

fendant's device does not infringe, there is no breach of contract." Petitioner therefore submits this question:

*Question 7:* Is the criterion for determining infringement of the patent under Count I the correct criterion for determining a breach of the Settlement Agreement under Count II?

These additional questions arise from the proceedings heretofore described:

*Question 8:* Do paragraphs 12, 13 and 14 a, b, c and d (R. 15, 16 and 17), and Paragraph 14f (R. 157), all in the complaint, state causes of action for unfair competition?

*Question 9:* Was the denial of the Motion to Produce Documents relating to Count II unreasonable in view of the fact that the respondent Sharon Steel was in possession of the primary evidence?

*Question 10:* Should Findings of Fact prepared by respondent Sharon Steel's counsel and merely approved by the trial judge be accorded the benefits of the third sentences of Rule of Civil Procedure 52(a) in view of the first sentence of Rule 52(a)?

*Question 11:* Should the only logical inference from secondary evidence be relied upon as the fact when the adverse party is in possession of the best evidence and refuses to produce it in view of the doctrine of *Clifton v. U. S.*, 4 Howard 242 (1846), and *Kirby v. Talmadge*, 160 U. S. 379 (1896)?

#### IV.

#### The Reasons Relied on for the Allowance of the Writ.

##### *Reason 1 (Re: Question 1):*

In sanctioning the granting of the Motion for Summary Judgment without giving leave to amend, the Circuit Court of Appeals has decided an important Federal question in

a way probably in conflict with applicable decisions of this court and in conflict with Rules of Civil Procedure 56(c) and 8(a).

Paragraphs 17, 19 (R. 225) and 20 (R. 956) charge respondent Sharon Steel with "monopolizing the anti-splitting iron business of the United States" by "the discreet use of tonnage \* \* \* as a means of getting railroad business." In response to a request for a Bill of Particulars, petitioner charged that McBride, respondent's traffic manager, wrote tonnage letters to Chicago railroads, and then followed up these with sales efforts which have resulted in respondent's getting in 1940 sixty-five to seventy per cent of the total tie iron business of the United States. At the time the Motion for Summary Judgment was filed, the record showed that petitioner had lost the Pennsylvania Railroad account to respondent Sharon Steel (R. 246) which in 1935 and 1936 by the testimony of its own employee, Jones, was using tonnage to get the business (R. 150).

After the filing of the Bill of Particulars (R. 956), respondent did not further allege indefiniteness but answered (R. 957).

The trial court granted the Motion on the ground that "the plaintiff has no possibility of establishing the case he pleads". On such a ground, petitioner had no reason to amend. The Circuit Court of Appeals, affirmed the trial court on the ground that these paragraphs do not affirmatively show "injury to plaintiff's business," (R. 1168). Petitioner submits that allegations of special damage are no longer needed by virtue of Rule of Civil Procedure 8; and that even if required, it is evident from the record that petitioner is damaged by losing his customers. If a special damage allegation is required and if it is not present, leave to amend should be granted under Rule of Civil Procedure 15(a). See *International Ladies Garment*

*Workers v. Donelly Garment Co.*, 121 F. 2d 561, C. C. A. 8th, and *Louisiana Farmers v. A & P*, 6 Fed. Rule Service 58 C. C. A. 8th. Leave to amend was requested in the Petition for Rehearing (R. 1181).

Using tonnage to get railroad business and thereby obtain a monopoly is actionably wrongful, *F. T. C. v. Waugh*, 15 Fed. Trade Commission Decisions, 232 at 245. A fifty per cent or greater monopoly obtained by illegal trade practices may be actionably wrongful without more, *Fashion Trade v. F. T. C.*, 312 U. S. 457 (1940). The Circuit Court of Appeals considered neither case.

A violation of the anti-trust laws is difficult to prove. It is particularly difficult for a private party. Moreover, with the alleged wrongdoer in possession of the facts, a private party cannot allege with great exactness the wrongs committed in advance of testimony. If the civil cause of action clauses of the anti-trust laws are to have any practical effectiveness, they should not be nullified by compelling a plaintiff to plead facts which cannot be known to him with great definiteness in advance of trial.

*Reason 2 (Re: Questions 2 and 3):*

In declining to determine the applicability of Title 5, Pennsylvania Laws, Section 3852-907 (1933 Corporation Act), of *Commonwealth v. Merchants National Bank*, 323 Pa. 124, and of *Nolan v. Doyle*, 338 Pa. 398, to the transfer of the Sharon Railway Supply Company assets to the respondent Sharon Steel, the Circuit Court of Appeals for the Seventh Circuit has ignored the rule of *Erie Railroad Co. v. Tompkins*, 304 U. S. 64, that local law governs the legal effect of the transactions in question.

While the Circuit Court of Appeals assumed that respondent Sharon Steel was bound by the Settlement in disposing of Count II, breach of contract, the court did not mention the applicability of the contract to Count I.

It indicated elsewhere in its decision (R. 1168) that respondent Sharon Steel was not bound on the Settlement Agreement. In reaching this conclusion at R. 1168, the Circuit Court of Appeals decided that respondent Sharon Steel's alleged lack of knowledge of the Settlement Agreement at the time that it acquired the assets of the Sharon Railway Supply Company exonerates respondent Sharon Steel of liability under the Settlement Agreement. Petitioner contends that Pennsylvania law is controlling because the entire transfer occurred in Sharon, Pennsylvania, and that further under Pennsylvania laws, respondent Sharon Steel cannot escape liability because of lack of knowledge of the Settlement Agreement. Petitioner therefore submits Reasons 3 and 4.

*Reason 3 (Re: Question 2):*

In deciding that the respondent Sharon Steel is not bound by the Settlement Agreement, Ex. 1, as the surviving corporation of a *de facto* merger under Title 5, Pennsylvania Laws, Section 3852-907 (1933 Corporation Act), the Circuit Court of Appeals has decided an important question of Pennsylvania law in a way probably in conflict with this applicable Pennsylvania decision,—*Commonwealth v. Merchants National Bank of Allentown*, 323 Pa. 124, 185 Atl. 823 (1936), and with this decision of this court,—*Helvering v. Metropolitan Edison Co.*, 306 U. S. 522, aff'g. 98 F. 2d 807, C. C. A. 3rd.

*Reason 4 (Re: Question 3):*

In deciding that the respondent Sharon Steel was not the silent joint adventurer with and financier of the Sharon Railway Supply Company in getting the order for and profiting by the sale of the tie irons which became the subject of that agreement, the Circuit Court of Appeals has decided an important question of Pennsylvania law in a way probably in conflict with this applicable Penn-

sylvania decision,—*Nolan v. Doyle*, 338 Pa. 398, 13 Atl. 2d 59 (1940).

If Sharon Steel is bound on the Settlement Agreement, petitioner submits that the Circuit Court of Appeals could not narrow the plain meaning of the claims under Count I without holding exactly contrary to a decision in the Circuit Court of Appeals for the Second Circuit. Petitioner therefore submits Reason 5.

*Reason 5 (Re: Questions 4 and 5):*

In deciding that patent claims may be limited in scope by reading into them a limitation not contained therein despite an acknowledgment of validity and despite an agreement by the parties that the read-in limitation is not material in determining infringement, the Circuit Court of Appeals for the Seventh Circuit has rendered a decision in conflict with this decision of another Circuit Court of Appeals on the same matter,—*Nachman Spring Filled Corp. v. Kay Mfg. Co.*, 139 F. 2d 781, 59 U. S. P. Q. 349, at 355, C. C. A. 2d (1943), wherein the court said:

“\* \* \* while, with respect to such a patent as this, the doctrine of equivalence must be most cautiously employed, it is not, even here, so completely without efficacy that defendant can, as it has tried to do, escape infringement and the obligations of its agreement, by adopting contrivances which any mechanic skilled in the art would recognize at a glance to be obvious substitutes for those disclosed in the claims.”

*Reason 6 (Re: Question 7):*

In ruling that the criterion for determining the infringement of the patent under Count I is the correct criterion in determining what constitutes a breach of the Settlement Agreement under Court II, the Circuit Court of Appeals has decided an important question of local law probably in conflict with applicable local decisions.

*Reason 7 (Re: Question 6):*

By substituting its judgment as to the validity of a patent for the judgment of the Patent Office, the judgment of the only official non-partisan group of experts in the field, the judgment of a substantial portion of the purchasing public, and the judgment of competitors, and in ignoring the fact that respondent Sharon Steel sold the accused devices by urging the very advantages advanced by the patentee to the Patent Office as the means of being granted a patent, the Circuit Court of Appeals has decided a federal question relating to the presumption of validity that attaches to a United States patent in a way probably in conflict with applicable decisions of this court.

Respectfully submitted,

---

MAX W. ZABEL,

105 West Adams Street,  
Chicago, Illinois,  
Telephone: State 6663.

WILFRED S. STONE,  
*Of Counsel.*

